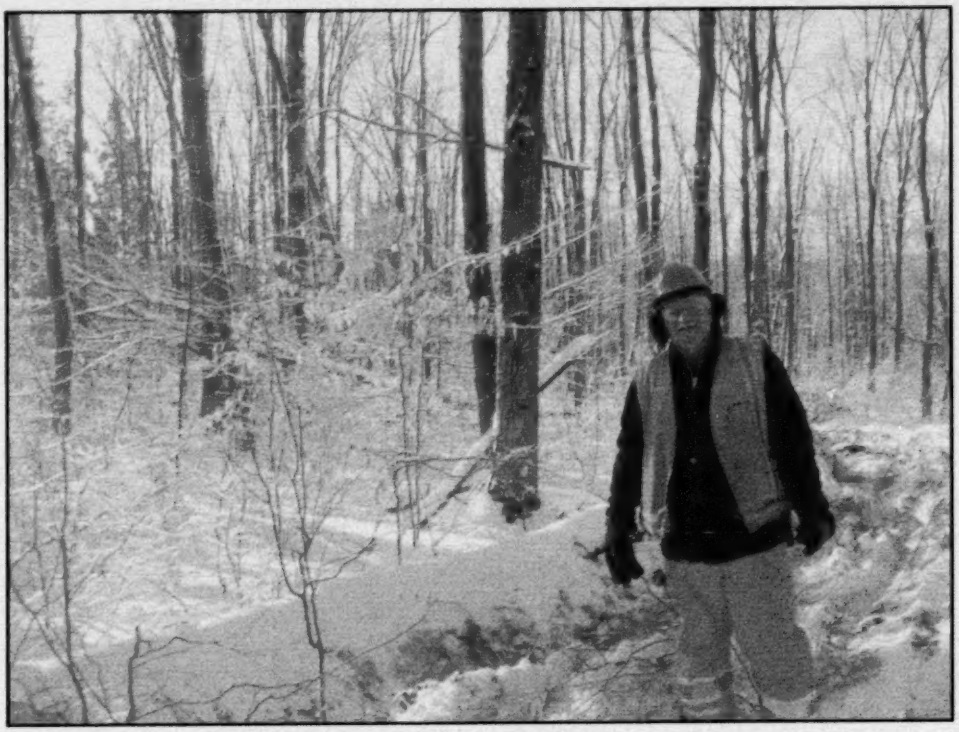
Algonquin Forestry Authority



38TH Annual Report
2012 - 2013

Thirty- eighth Annual Report
2012 - 2013

TO HIS HONOUR
The Lieutenant Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR
The undersigned begs respectfully to present to Your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2012 and ending March 31, 2013.

THE HONOURABLE DAVID ORAZIETTI
Minister

Algonquin
Forestry
Authority

THE HONOURABLE DAVID ORAZIETTI
Minister of Natural Resources

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2012 and ending March 31, 2013.

DAVID STEWART
Chair

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Role and Mandate

The Algonquin Forestry Authority (AFA) operates under the Algonquin Forestry Authority Act, 1990. This legislation sets out the management, objectives and powers of the AFA. Responsibilities in Algonquin Provincial Park include:

- *Ensuring the sustainable management of Algonquin's forests*
- *Planning of all forestry operations*
- *Harvesting and distribution of wood products to mills*
- *Monitoring forestry operations*

All forestry activities are carried out under the direction of a Ministry of Natural Resources' approved Forest Management Plan (FMP). These activities are subject to an Independent Forest Audit every five years and the audit results are tabled in the Ontario legislature and made available to the public. In addition, the Algonquin Park forest is certified to Canada's national forest certification standard CSA Z-809. This certification demonstrates the Authority's commitment to sustainable forest management and provides the public access to results from independent forest audits to defined standards.

A key component of the CSA Z-809 standard is the AFA's environmental management system (EMS). The EMS has been registered to the International Standards Organization (ISO) 14001 standard since 2001. Key components of the EMS are prevention of pollution, continual improvement and compliance with applicable laws and guidelines. AFA receives management direction from several different plans and legislation, but its Sustainable Forest Management (SFM) Policy guides its day-to-day activities.

AFA's commitment to SFM can be found in its Vision Statement:
To achieve the highest standards of sustainable forest management practices, in order to maintain Park values for future generations.

The Authority applies the principles of SFM to balance the public's concern for protecting Park values. Protection of recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while maintaining a supply of forest products to mills dependent on Park timber. Harvesting is carefully regulated to minimize impacts on other forest values.

The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested supports 12 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Killaloe, Eganville and Rutherglen. Another five to ten mills receive periodic supplies.

CERTIFICATE
OF REGISTRATION

Algonquin Forestry Authority (AFA)

Forest Management System

CAN/CSA - Z809-2008

SAI GLOBAL

CERTIFICATE
OF REGISTRATION

Algonquin Forestry Authority (AFA)

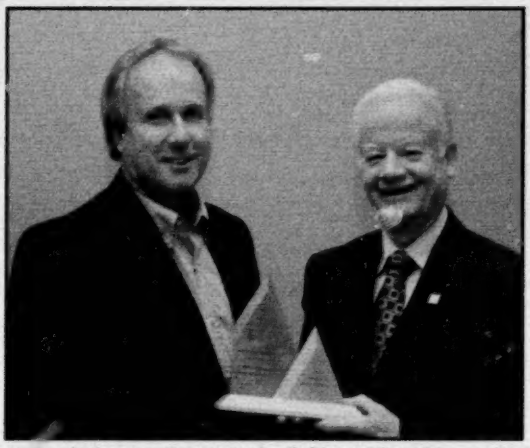
Environmental Management System

ISO 14001:2004

SAI GLOBAL

Chair's Message

by David Stewart



General Manager Danny Janke (left) and David Stewart with AFA's CIF award.

I would like to present this Annual Report to inform you about the operations of the Algonquin Forestry Authority (AFA) over the last year. Dave Lemkay from Douglas was appointed Vice-Chair of the Board in September 2012. Sarah Bros from North Bay was appointed as a Director in February 2013.

The 2012-13 fiscal year marks the end of AFA's 38th year and was another challenging one for the industry in Ontario, including the AFA. Demand for most forest products did not change materially from the previous year. The total volume harvested by AFA was up by 6.9 % in 2012-13.

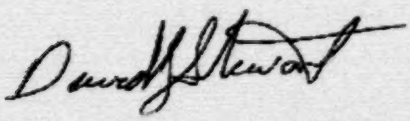
With the US housing showing signs of improvement, we are optimistic as we move forward. The Board is satisfied with the financial statements in this annual report and that the objectives were met for 2012-13.

During the year separate independent audits where completed on Finance, Road Construction and Maintenance, Forest Management (IFA), and Environmental Performance. I am pleased to report that all of these audits looked very favorably for the Authority. The AFA's Environmental Management System is registered to the ISO 14001 Standard and the Operations of AFA are certified to the CSA Z809-08 Standard.

The AFA received the Canadian Forest Management Group Achievement Award for 2012, from the Canadian Institute of Forestry (CIF) in Quebec City in September. The award recognizes groups or teams that have made significant and outstanding contributions to forest management in Canada.

Larry Rosebrugh, Operations Supervisor retired at the end of March (see front cover photo). Larry worked 30 years for AFA and was an expert in forest operations and road construction. On behalf of the Board, I extend best wishes to Larry and Sandra for a happy and healthy retirement.

The Board would like to congratulate all forestry contractors, their employees, and AFA staff on meeting the Authority's objectives and their continued dedication to sustainable forest management in Algonquin Provincial Park.



Forest Management

The approved 2010-2020 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives and strategies for the ten-year period and outlines specific operations for the first 5- year term for 2010-2015. Forest management activities in Algonquin Park must follow FMP prescriptions.

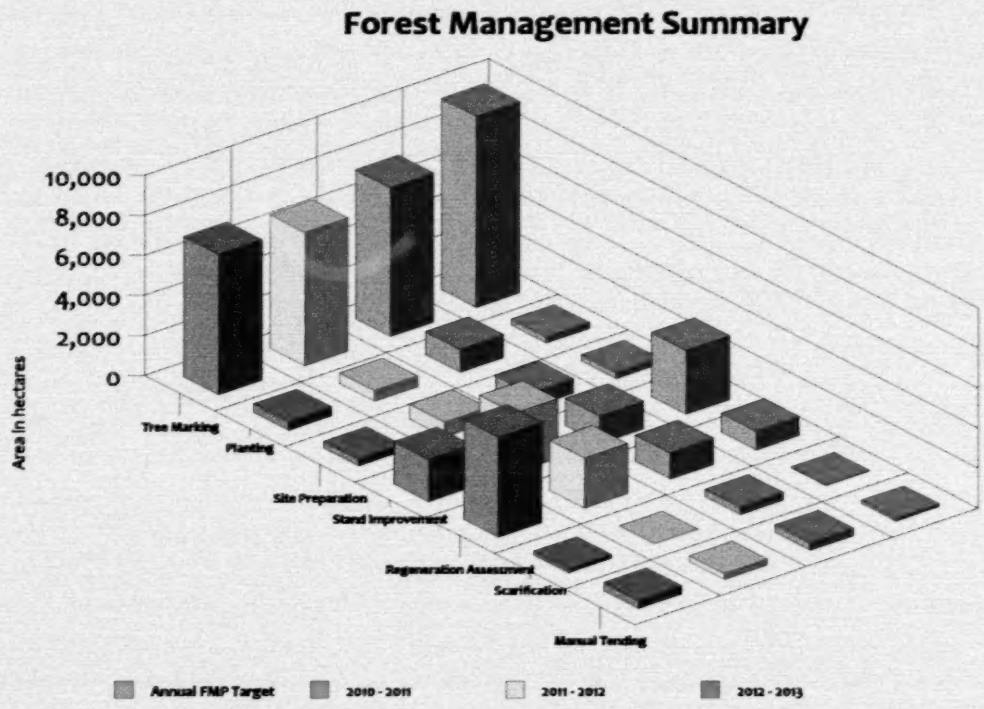
To implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which ones are to be retained, while protecting other resource values. This is done by skilled tree markers who follow the prescriptions prepared by Registered Professional Foresters in the Forest Management Plan. The partial harvesting systems used in Algonquin Park rely heavily on natural regeneration. To date, this has been largely successful. Tree marking was carried out on 7,011 hectares in 2012-2013.

Trees planted in Algonquin Park are grown from seed sources appropriate for planting within the Park. A total of 482,500 tree seedlings were planted on 419 hectares in 2012. Private nurseries were growing 415,000 seedlings for planting in spring 2013. About 327 hectares were site prepared for planting in future years while an additional 167 hectares were scarified for natural regeneration.

Manual tending was performed on 393 hectares to release established white pine and red pine regeneration from competing vegetation. A further 121 hectares of red pine and jack pine were precommercially thinned and 793 hectares of evenaged understory improvement work was completed in order to improve light conditions for regeneration establishment.

Regeneration assessments were conducted on over 5,000 hectares to ensure that regeneration treatments are progressing as planned. Results of 'Free to Grow' assessments are reported in the Management Unit Annual Report in November each year. New technology has recently been developed by AFA to enhance regeneration survey quality and production. Stand improvement was completed on 2,098 hectares to assist growth of residual trees and natural regeneration in areas managed under the selection system. About 119 hectares of hardwood polewood improvement work was also completed.

The 2012-2013 forest management program is illustrated below and is compared to annual FMP targets. The program was the third year of the approved 2010-2020 FMP.



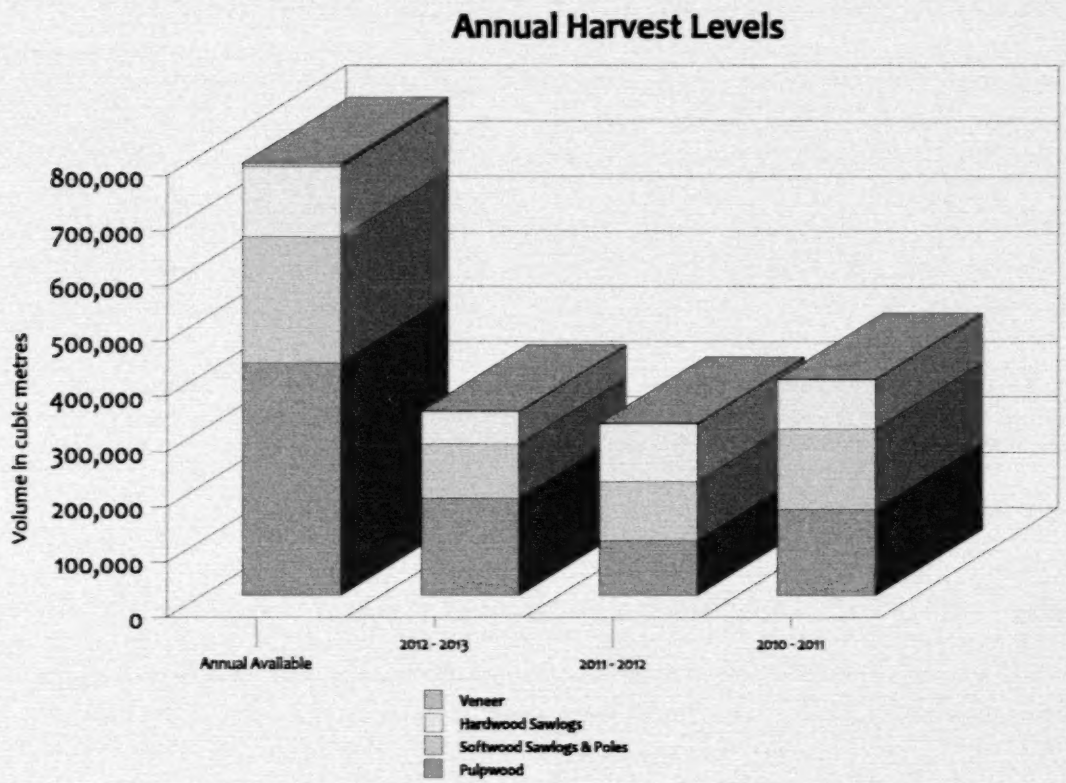
Harvesting

The 2010-2020 Forest Management Plan for Algonquin Park states that a sustainable annual harvest of 783,075 cubic metres (m3) is available from the forest. The 2012-2013 harvest level from the park was 333,576 m3 (source: AFA Accumulated Sales Data) which is within the sustainable level that the Algonquin forest can provide. The harvest level was up 21,661 m3 or 6.9 % from the 2011-2012 fiscal year. Volume harvested in 2012-2013 is illustrated in the following graph and is compared to the previous two years.

Generally speaking, most market sectors did not improve in 2012-2013 compared to 2011-2012. The poor demand is related to the continued lack of growth in the United States' housing market, a high Canadian dollar, competition from substitutes and no increase in global demand for wood products. Going forward, the U.S. economy and housing market is expected to improve, and as such, the AFA is optimistic for a better fiscal year in 2013-14.

R. D. Robinson Forestry Inc. of Maynooth, ON won the annual Safety Award for the 2012-2013 season. This award is presented annually to the Algonquin Park logging contractor maintaining the best safety record. Employees worked in excess of 4,300 person days with no lost time days or medical aids due to work related accidents.

In addition to the safety award, AFA and the contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on the point system, the top logging crews on each contractor operation receive rewards. The hauling and road construction sectors are also recognized for their contributions to the overall results.



Harvesting and the Statement of Operations

Operating revenues for the year were $19,780,704, which represents a decrease of $431,393 or 2.2 % compared to 2011-2012. Demand for our contractor produced forest products decreased by 4.3% during the year but higher unit selling prices were achieved resulting in the smaller overall decreases to product sales. Standing timber sales volumes increased by more than 75% in 2012-2013 as a result of expanded open market projects undertaken.

"Other revenue" includes approximately $1,650,000 ($1,710,000 in 2011-2012) of provincial road maintenance funding which was reimbursed to AFA for maintenance activities performed. Amounts then reimbursed by AFA directly to the forest industry as reduction to both product sales and standing timber sales amounted to approximately $414,000 ($437,000 in 2011-2012). Other income also includes funding from the Forestry Futures Trust Ontario and this was increased by more than $105,000 this year over the amounts received in 2011-2012.

Costs for contracted production, direct labour and stumpage were higher than the previous year, resulted in a decrease in operating income to $1,536,954 as compared to $2,158,637 in the previous year. Operations planning costs associated with our Environmental Management System, CSA certification and the FMP process were $128,972 as compared to $143,499 in the previous year.

Administration costs for the year were $1,929,174 which represents a decrease of $60,573 or 3.0% compared to 2011-2012. The decrease is primarily related to decreased costs associated with salaries and benefits and reduced amortization of capital assets.

Forest Renewal Fund

The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is to be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of $1,255,078 ($1,266,834 in 2012) represents amounts actually charged by the Ministry to customers during the year for renewal fund purposes. Higher product renewal rates effective April 1, 2011 have helped to compensate for the reduced volumes during the past two years.

Actual allowable forest renewal expenditures incurred during the year amounted to $1,866,580 as compared to $1,733,542 in 2012. This is the eighth consecutive year that a current year shortfall has been incurred resulting in a loss of $256,374 ($222,053 in 2012). We expect this trend to reverse itself once market demand improves.

Financial Position- Balance Sheet

The Statement of Financial Position disclosure reflects disclosure requirements affecting government not-for-profit organizations, such as the Authority, recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Funds received in advance of the planned expenditure are disclosed as "Deferred Contributions" and amounts once referred to, in a single disclosure component, as "Retained Income" have been disclosed as three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

At March 31, 2013 our cash was $1,018,952 lower than the prior year balance. Our receivables however, were higher than the March 31, 2012 balances by $1,300,257. As receivable balances were collected, liabilities were settled and cash balances were increased.

With limited demand for spring deliveries and with limited available cash, there was a reduction in inventory levels resulting in a decrease in inventories of $127,509.

March 31 payables and accruals were higher by $498,906 compared to 2012 as a result of not having available cash on hand to settle accounts on a more timely basis. Also included in the $1,808,165 balance is approximately $414,000 ($437,000 in 2011-2012) of provincial road maintenance funding that was reimbursed to AFA for maintenance activities performed and then reimbursed by AFA directly to the forest industry in June 2013.

The Renewal Account balance of $2,500,000 ($2,500,000 in 2012) remains well above the minimum required balance of $1,500,000.

	DATE OF APPOINTMENT	CURRENT TERM'S EXPIRATION DATE
CHAIR:		
David Stewart Cobden, ON	February 18, 2009	March 21, 2015
VICE - CHAIR:	September 12, 2012	September 11, 2015
David Lemkay Douglas, ON		
DIRECTORS:		
William Atkinson Sundridge, ON	June 2, 2004	June 1, 2014
Sarah Bros North Bay, ON	February 1, 2013	January 31, 2015
William Dickinson Bracebridge, ON	November 10, 2005	December 13, 2014
Karen LeClerc Laurentian Hills, ON	November 10, 2005	December 13, 2014
Don McCormick Huntsville, ON	June 2, 2004	June 1, 2014
Terrence Mullin Killaloe, ON	November 10, 2005	December 13, 2014
David Sharpe Toronto, ON	May 17, 2011	May 16, 2014

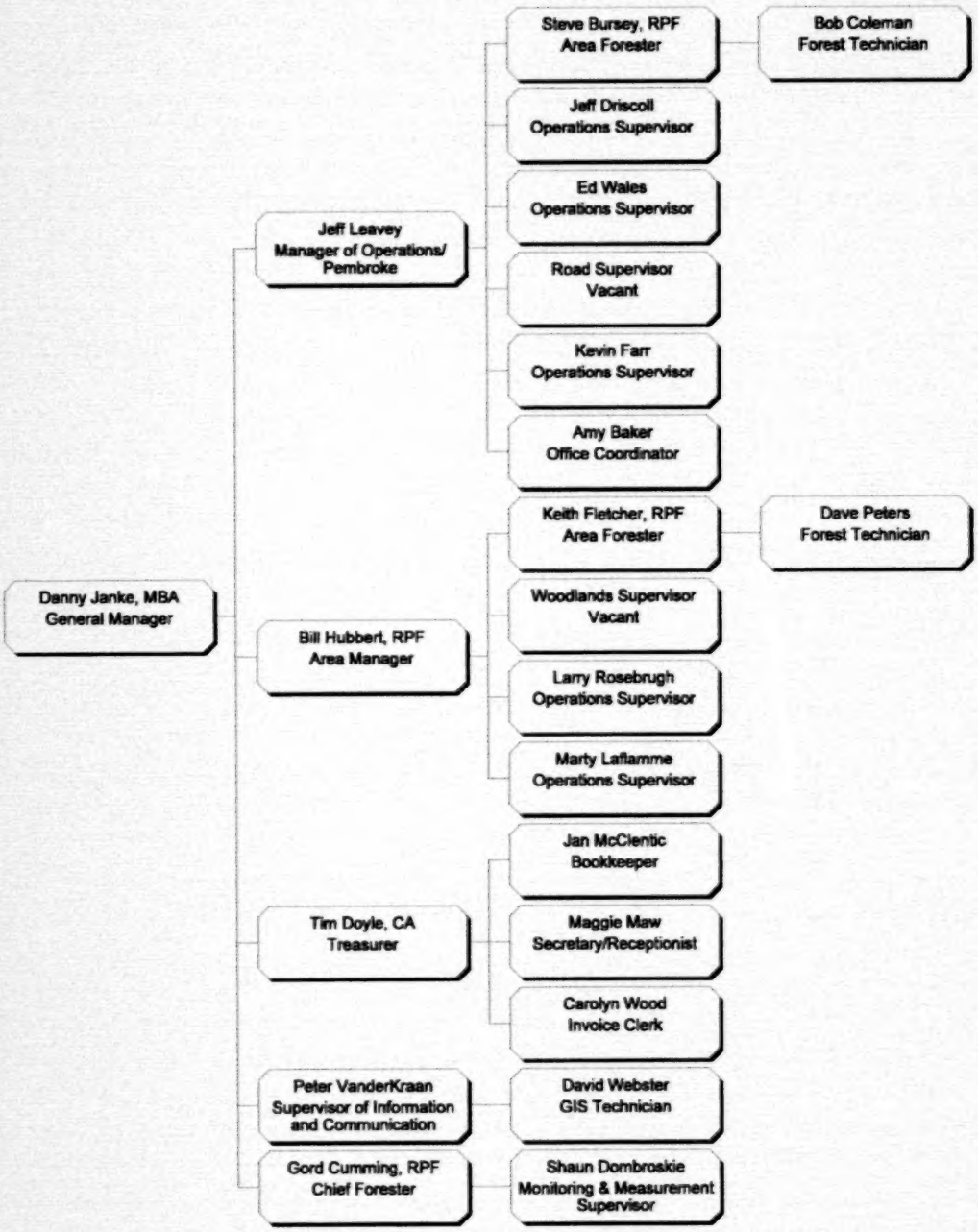
OFFICERS:

Daniel R. Janke, MBA General Manager	**Timothy K. Doyle, CA** Secretary-Treasurer

GENERAL MEETINGS:

May 3 - 4, 2012 Barry's Bay, ON	October 12 - 13, 2012 Pembroke, ON
June 28, 2012 Teleconference	December 6 - 7, 2012 Toronto, ON
July 27, 2012 Algonquin Park, ON	February 1 - 2, 2013 North Bay, ON

Organizational Chart



Financial Statements of

ALGONQUIN FORESTRY AUTHORITY

Years ended March 31, 2013 and March 31, 2012

Algonquin Forestry Authority
Year ended March 31, 2013

Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on Management's best estimates and judgements.

The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act.*

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Tim Doyle, C.A.
Treasurer

Daniel R. Janke, MBA
General Manager

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Members, Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statements of financial position as March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Forestry Authority as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 26, 2013

Susan Klein, CPA, CA, LPA
Acting Deputy Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

ALGONQUIN FORESTRY AUTHORITY

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	$ 1,523,614	$ 2,542,566	$ 1,533,402
Accounts receivable (note 2)	7,543,495	6,243,238	8,248,468
Inventories held for sale	376,230	503,739	360,606
Prepaid expenses	1,962	1,962	1,962
	9,445,301	9,291,505	10,144,438
Capital assets (note 3)	334,458	389,035	401,592
	$ 9,779,759	$ 9,680,540	$ 10,546,030
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 1,537,628	$ 1,038,722	$ 1,808,165
Contractors' performance holdbacks	75,931	72,656	111,485
Due to Consolidated Revenue Fund (note 14)	375,967	156,481	460,137
Deferred contributions (note 4)	274,636	436,818	405,032
	2,264,162	1,704,657	2,784,819
Obligation for employee future benefits (note 5)	436,356	441,287	418,771
Deferred capital contributions (note 6)	115,591	178,726	155,460
	2,816,109	2,324,670	3,359,050
Net assets:			
Restricted - Forest Renewal Fund (notes 7 and 8)	2,500,000	2,500,000	2,500,000
Invested in capital assets (note 9)	218,867	210,309	246,132
Unrestricted - General Fund	4,244,783	4,645,561	4,440,848
	6,963,650	7,355,870	7,186,980
	$ 9,779,759	$ 9,680,540	$ 10,546,030

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

ALGONQUIN FORESTRY AUTHORITY

Statements of Operations

Years ended March 31, 2013 and 2012

	General Fund	Forest Renewal Fund	2013 Total	2012 Total
Revenue:				
Product sales	$ 15,619,773	$ -	$ 15,619,773	$ 16,395,977
Forest renewal activity	-	1,255,078	1,255,078	1,266,834
Standing timber sales	242,860	-	242,860	113,188
Other (note 10)	2,307,865	355,128	2,662,993	2,436,098
	18,170,498	1,610,206	19,780,704	20,212,097
Expense:				
Direct program costs	14,054,908	1,691,020	15,745,928	15,433,729
Crown timber stumpage charges	1,895,588	-	1,895,588	2,005,179
Public access road maintenance	440,590	-	440,590	431,156
Operations planning	128,972	-	128,972	143,499
Wood measurement	32,672	-	32,672	39,897
	16,552,730	1,691,020	18,243,750	18,053,460
Operating income	1,617,768	(80,814)	1,536,954	2,158,637
Administrative and other:				
Salaries and benefits	1,402,447	133,083	1,535,530	1,557,418
Amortization of capital assets	146,953	21,333	168,286	198,469
Office supplies and other	91,670	96	91,766	94,990
Office rent	41,612	12,920	54,532	54,580
Directors' allowances	27,409	-	27,409	26,238
Insurance	16,014	6,255	22,269	22,426
Staff travel and training	15,682	1,873	17,555	17,239
Public relations	10,509	-	10,509	17,240
Consulting, legal and miscellaneous	1,318	-	1,318	1,147
	1,753,614	175,560	1,929,174	1,989,747
Excess (deficiency) of revenue over expenses	$ (135,846)	$ (256,374)	$ (392,220)	$ 168,890

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	$ 210,309	$ 2,500,000	$ 4,645,561	$ 7,355,870
Deficiency of revenue over expenses (note 9)	(105,151)	(235,041)	(52,028)	(392,220)
Interfund transfer (note 8)	-	235,041	(235,041)	-
Investment in capital assets (note 9)	113,709	-	(113,709)	-
Balance, end of year	$ 218,867	$ 2,500,000	$ 4,244,783	$ 6,963,650

March 31, 2012	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	$ 246,132	$ 2,500,000	$ 4,440,848	$ 7,186,980
Excess (deficiency) of revenue over expenses (note 9)	(135,335)	(182,600)	486,825	168,890
Interfund transfer (note 8)	-	182,600	(182,600)	-
Investment in capital assets (note 9)	99,512	-	(99,512)	-
Balance, end of year	$ 210,309	$ 2,500,000	$ 4,645,561	$ 7,355,870

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	$ (392,220)	$ 168,890
Adjustments for:		
Amortization of capital assets	168,286	198,469
Amortization of deferred capital contributions	(63,135)	(63,134)
Gain on sale of capital assets	(20,677)	(250)
Obligation for employee future benefits	(4,931)	22,516
	(312,677)	326,491
Change in non-cash working capital:		
Accounts receivable	(1,300,257)	2,005,230
Inventories held for sale	127,509	(143,133)
Accounts payable and accrued liabilities	498,906	(769,443)
Contractors' performance holdbacks	3,275	(38,829)
Due to Consolidated Revenue Fund	219,506	(303,676)
Deferred contributions	(162,182)	31,786
	(925,920)	1,108,426
Cash flows from financing activities:		
Capital contributions received	-	86,400
Cash flows from capital activities:		
Acquisition of capital assets	(113,709)	(185,912)
Proceeds on sale of capital assets	20,677	250
	(93,032)	(185,662)
Increase (decrease) in cash	(1,018,952)	1,009,164
Cash, beginning of year	2,542,566	1,533,402
Cash, end of year	$ 1,523,614	$ 2,542,566

See accompanying notes to financial statements.

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act.

On April 1, 2012, the Authority adopted Canadian generally accepted accounting principles for government not-for-profit organizations as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. These are the first financial statements prepared in accordance with PSAB standards.

In accordance with the transitional provisions in Public Sector Accounting Standards, the Authority has adopted the changes retrospectively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards. There were no transitional adjustments.

1. Significant accounting policies:

(a) Basis of accounting:

The Authority's financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(b) Fund accounting:

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

(c) Revenue recognition:

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

1. Significant accounting policies: (continued)

(c) Revenue recognition: (continued)

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs.Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Other income is recognized when earned.

(d) Inventories held for sale:

Inventories held for sale, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

1. Significant accounting policies:(continued)

(e) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis over their estimated useful lives, using the following annual rates:

Asset	Rate
Automotive equipment	25%
Portable steel structures	20%
Data processing equipment	20%
Technical equipment	10%
Furniture and fixtures	10%
Trailers	10%
Leasehold improvements	10%

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

(f) Financial instruments:

The Authority's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of operations.
- Accounts payable and accrued liabilities, Contractors' performance holdbacks and Due to Consolidated Revenue Fund are recorded at cost.

The Authority does not use derivative financial instruments.

1. Significant accounting policies:(continued)

(g) Employee future benefits:

The Authority provides termination benefits to qualifying employees. The Authority accrues its obligations under this benefit plan as the employees render the services necessary to earn the benefit.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

(h) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
Trade	$ 7,299,897	$ 5,929,401	$ 8,214,911
Other	281,512	351,751	138,957
	7,581,409	6,281,152	8,353,868
Less allowance for doubtful accounts	(37,914)	(37,914)	(105,400)
	$ 7,543,495	$ 6,243,238	$ 8,248,468

3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Bridges and access roads	$ 5,346,800	$ 5,345,832	$ 968
Portable steel structures	654,578	503,326	151,252
Forest renewal assets	326,271	309,680	16,591
Automotive equipment	419,643	265,457	154,186
Technical equipment	199,564	189,367	10,197
Data processing equipment	149,267	149,267	-
Furniture and fixtures	83,358	83,212	146
Leasehold improvements	44,803	43,826	977
Trailers	13,690	13,549	141
	$ 7,237,974	$ 6,903,516	$ 334,458

March 31, 2012	Cost	Accumulated amortization	Net book value
Bridges and access roads	$ 5,346,800	$ 5,344,864	$ 1,936
Portable steel structures	654,578	440,192	214,386
Forest renewal assets	354,180	323,239	30,941
Automotive equipment	385,164	261,766	123,398
Technical equipment	199,564	186,760	12,804
Data processing equipment	149,267	146,675	2,592
Furniture and fixtures	83,358	82,213	1,145
Leasehold improvements	44,803	43,392	1,411
Trailers	13,690	13,268	422
	$ 7,231,404	$ 6,842,369	$ 389,035

3. Capital assets:

April 1, 2011	Cost	Accumulated amortization	Net book value
Bridges and access roads	$ 5,346,800	$ 5,320,075	$ 26,725
Portable steel structures	568,178	366,733	201,445
Forest renewal assets	354,180	290,769	63,411
Automotive equipment	285,652	201,504	84,148
Technical equipment	199,564	184,153	15,411
Data processing equipment	149,267	143,564	5,703
Furniture and fixtures	83,358	81,157	2,201
Leasehold improvements	44,803	42,957	1,846
Trailers	13,690	12,988	702
	$ 7,045,492	$ 6,643,900	$ 401,592

4. Deferred contributions:

Deferred contributions represent unspent resources received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2013	2012
Public access road maintenance:		
Balance, beginning of year	$ 316,699	$ 175,598
Add: contributions received in the year	300,000	300,000
Less: amount spent in the year	(342,063)	(158,899)
Balance, end of year	274,636	316,699
Other park-related projects:		
Balance, beginning of year	120,119	229,434
Less: amount spent in the year	(120,119)	(109,315)
Balance, end of year	-	120,119
	$ 274,636	$ 436,818

5. Employee future benefits:

(a) Multi-employer pension plan:

The Authority's full-time employees participate in the Public Service Pension Fund ("PSPF") which is a defined benefit pension plan for certain employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to the PSPF. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of $132,533 (2012 - $110,243) are included in salaries and benefits in the Statement of Operations.

(b) Termination benefits:

The Authority provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one-half of the employees' annual salary. The total obligation for vested severance payments amounts to $436,356 (2012 - $441,287) at year end.

(c) Non-pension post-retirement benefits:

The cost of other non-pension post-retirement benefits is the responsibility of the Province of Ontario, a related party, and accordingly is not accrued or included in the Statement of Operations.

6. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as other revenue in the statement of operations.

	2013	2012
Balance, beginning of year	$ 178,726	$ 155,460
Additional contributions received	-	86,400
Less amounts amortized to revenue	(63,135)	(63,134)
Balance, end of year	$ 115,591	$ 178,726

7. Forest renewal fund:

Effective April 1, 2002, the Authority renewed its 20 year agreement with the Ministry of Natural Resources, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also requires the Authority to maintain a minimum balance of $1,500,000 in the Forest Renewal Fund.

8. Interfund transfer:

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue, net of related capital asset amortization, during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below $2,500,000 shall be funded by the General Fund.

9. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	$ 334,458	$ 389,035	$ 401,592
Amounts financed by:			
Deferred contributions	(115,591)	(178,726)	(155,460)
	$ 218,867	$ 210,309	$ 246,132

9. Investment in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2013	2012
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	$ 63,135	$ 63,134
Amortization of capital assets	(168,286)	(198,469)
	$ (105,151)	$ (135,335)
Net change in investment in capital assets:		
Purchase of capital assets	$ 113,709	$ 185,912
Amounts funded by:		
Deferred contributions	-	(86,400)
	$ 113,709	$ 99,512

10. Road maintenance funding:

Included in General Fund Other Revenue is revenue of $1.65 million (2012 - $1.71 million) received by the Authority pursuant to an agreement with the Ontario Ministry of Natural Resources. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes. In fiscal year 2013, $ 413,600 (2012 - $436,700) was passed on to the Authority's customers and is netted in product sales in the Statement of Operations.

11. Remuneration of appointments:

Total remuneration of the Board members of the Authority was approximately $11,500 during the fiscal year (2012 - $11,700).

12. Financial risks and concentration of credit risk:

(a) Liquidity risks:

Liquidity risk is the risk that the Authority will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Authority manages its liquidity risk by monitoring its operating requirements. The Authority prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. There has been no change to the risk exposures from 2012.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Authority is exposed to credit risk with respect to the accounts receivable. The Authority assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

13. Available credit facilities:

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of $1,000,000 with its banker. The line of credit is unsecured and any amount drawn down bears interest at the bank's prime rate minus .50%.

14. Due to Consolidated Revenue Fund:

Due to Consolidated Revenue Fund represents amounts owed by the Authority for Crown Stumpage charges and Forestry Futures Stumpage charges incurred in the normal course of operations. Year-end balances are normally settled in full in the first quarter of the following year.

The Algonquin Forestry Authority

222 Main Street West
Huntsville, ON P1H 1Y1
Tel: 705- 789-9647 Fax: 705- 789-3353
huntsville.office@algonquinforestry.on.ca

84 Isabella Street, The Victoria Centre
Pembroke, ON K8A 5S5
Tel: 613- 735-0173 Fax: 613- 735-4192
pembroke.office@algonquinforestry.on.ca

www.algonquinforestry.on.ca

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